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March 13, 2006

Date of Signature

Re:	Application of:	Eckert et al.
	Serial No.:	09/933,266
	Filed:	August 20, 2001
	For:	Method and Apparatus for Tradable Security Based on the Prospective Income of a Performer
	Group Art Unit:	3624
	Examiner:	Richard Weisberger
	Our Docket No.:	1713-0013

**TRANSMITTAL OF BRIEF ON APPEAL**

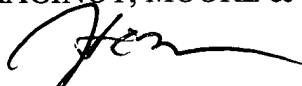
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Respectfully Submitted,

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March 13, 2006

Enclosures



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## BRIEF ON APPEAL

Sir:

This is an appeal under 37 CFR § 41.31 to the Board of Patent Appeals and Interferences  
 of the United States Patent and Trademark Office from the final rejection of claims 1-9 of the  
 above-identified patent application. Claims 1-9 were indicated as finally rejected in an Office  
 Action dated October 11, 2005. It is noted that while claims 1-13, 15-19 and 23-25 are pending,  
 only claims 1-9 have been rejected and claims 23-25 have been withdrawn. Claims 10-13 and

15-19 were not addressed, and it is assumed that the rejections of a prior office action were made final. A check in the amount of \$250.00 is provided herewith to cover the fee required under 37 CFR § 1.17(f) for a small entity. Also, please provide any extension of time which may be necessary and charge any fees which may be due to Deposit Account No. 13-0014, but not to include any payment of issue fees.

**(1) REAL PARTY IN INTEREST**

Daniel J. Eckert, Ross J. Eckert, Todd O. Perry, and Christopher W. Claus are applicants and owners of this patent application, and therefore are the real parties in interest.

**(2) RELATED APPEALS AND INTERFERENCES**

There are no appeals or interferences related to this patent application.

**(3) STATUS OF CLAIMS**

Claims 1-13, 15-19 and 23-25 are pending in the application.

Claims 1-9 (or 1-13 and 15-19) stand rejected and form the subject matter of this appeal.

Claims 1-19 and 23-25 are shown in the Appendix attached to this Appeal Brief.

**(4) STATUS OF AMENDMENTS**

Applicants filed a Response to Office Action dated February 22, 2005 ("Response") responsive to an Office Action dated November 17, 2004 ("First Office Action"). A final Office Action dated October 11, 2005 ("Final Office Action") was designated by the Examiner to be responsive to the Response.

**(5) SUMMARY OF THE CLAIMED SUBJECT MATTER**

Claim 1 is directed to a method of creating a tradable security based on the prospective income of a performer. The method includes employing a first processing circuit to define an asset value based on the prospective income of the performer, the tradable security having a value based on the asset value. In an exemplary disclosed embodiment, a processing apparatus 10 generates a valuation of an Income Security Instrument based on the prospective income of an athlete 34. (See Specification at page 17, line 11 to page 20, line 10).

Referring again generally to claim 1, the method also includes obtaining an agreement from the performer to create a repayment obligation based on a portion of an income stream that corresponds to the asset value. In the exemplary disclosed embodiment, the athlete 34 executes a risk transfer agreement RTA 32 that creates a repayment obligation. (See Specification at p.12, lines 4-16). The claimed method also includes creating a first account and receiving payments towards the repayment obligation into the first account. In the exemplary disclosed embodiment, the athlete 34 makes payments to an account 38 that is controlled by a trustee. (*Id.* at p.14, line 6 to p.15, line 8). The method of claim 1 further includes receiving from at least one remote processing circuit at least one bid for purchase of the tradable security. In the disclosed embodiment, an auction of the initial offering of the Income Security Instrument is held and bids are received at the processors 50 from remote processors 52, 54. (*Id.* at p.16, lines 11-18). The processor 50 may suitably house the processing circuit 10. (*Id.*)

Claim 8 is directed to a method that includes a step of obtaining an agreement from a performer to create a repayment obligation based on a portion of a prospective income stream of the performer. In the exemplary disclosed embodiment, the athlete 34 executes a risk transfer agreement RTA 32 that creates a repayment obligation. (See Specification at p.12, lines 4-16). As claimed, the portion of the prospective income stream includes service-based income. In the exemplary embodiment, the RTA 32 contemplates service-based income of the athlete 34. (*Id.* at p.12, line 19 to p.13, line 5).

The claimed invention includes selling a security via bids received from a plurality of processing circuits, the security having a value based on a value of the repayment obligation. In the exemplary disclosed embodiment, an initial offering of a security having a value based on the RTA 32 is provided. Bids are received from a plurality of processing circuits 52, 54. (*Id.* at p.20, line 12 to p.22, line 3; see also *id.* at p.16, lines 11-18).

The claimed method also includes creating a first account and receiving payments towards the repayment obligation into the first account. In the exemplary disclosed embodiment, the athlete 34 makes payments or earned future income to an account 38 that is controlled by a trustee. (*Id.* at p.14, line 6 to p.15, line 8).

Claim 17 is directed to an apparatus that includes an input device and a processing device. In the disclosed embodiment, the processing device 10 includes a processor 12 and an input 14. (*Id.* at p.5, line 17 to p.6, line 7). The processing device 10 may be used to carry out the operations described throughout the Specification. (*Id.* at p.6, lines 13-16). According to claim 17, the input device is configured to receive a total number of tradable security instruments having a value based on realized prospective income of a performer. In the disclosed

embodiment, the input 14 is operable to receive the total number of ISI shares sold. ISI shares have a value based on the realized prospective income of an athlete (*Id.* at p.23, lines 3-11).

According to claim 17, the processing device is operable to obtain a final obligation value, the final obligation value based on the realized prospective income of the performer. In the disclosed embodiment, the processing circuit 12 determines the total obligation owed to investors is determined as the proportional value of the athlete's income streams (*Id.*) As claimed, the processing circuit also determines a redemption value of the tradable security instrument based on the final obligation value, the total number of tradable security instruments, and the realized prospective income. In the disclosed embodiment, the processing circuit 12 determines the per share redemption value, typically by dividing the total value by the number of shares sold. (*Id.* at p.23, lines 11-12)

As claimed, the processing circuit is further operable to provide information representative of the redemption value to an output. (See, *e.g.*, *id.* at p.23, lines 12-13; see also *id.* p.6, lines 4-7).

## **(6) GROUNDS OF REJECTION TO BE REVIEWED ON APPEAL**

Claims 1-9 stand rejected under 35 U.S.C. §103(a) as allegedly being obvious over U.S. Patent 09/933,263 in view of DeBellis, Matthew A., David Bloom, Julie Landry, Richard Byrne Reilly, and Steve Silverman, "Elevator Pitch", page 4 of 5 in Red Herring the Business of Technology (February 9, 2001) (hereinafter "the Red Herring Article").

It appears that claims 10, 11 and 16-19 have been rejected as allegedly being anticipated by U.S. Patent No. 5,809,484 to Mottola et al. (hereinafter "Mottola").

It further appears that claims 12-15 have been rejected as allegedly being obvious over Mottola in view of the Red Herring Article.

## **(7) ARGUMENT**

### **I. The Rejection Claims 10-13 and 15-19 Should be Reversed**

In the Final Office Action, the Examiner asserted that only claims 1-9 were pending. (See Final Office Action at “Disposition of Claims” in the Office Action Summary; See also page 2 of the Office Action). No examination of claims 10-13 and 15-19 appears to have occurred after the First Office Action. In the First Office Action, claims 10, 11 and 16-19 were rejected as allegedly being anticipated by Mottola, and claims 12, 13 and 15 were rejected as allegedly being obvious over Mottola in view of the Red Herring Article.

The Examiner was notified of the omission in the Notice of Appeal, in which the Applicant appealed “the lack of acknowledgement of claims 10-19 and 23-25, which are also pending in the case”. Applicants acknowledge now that the Final Office Action did indeed acknowledge claims 23-25 by withdrawing those claims from consideration. However, the Final Office Action does not mention claims 10-13 or claims 15-19, and no new Office Action has been issued after the Notice of Appeal. Accordingly, Applicants will appeal the rejections of those claims as they stood in the First Office Action.

#### **A. The Examiner Has Admitted No Anticipation of Claims 10, 11 and 16**

Claims 10, 11 and 16 depend from claim 8. In the *Final* Office Action, the Examiner alleged that claim 8 was *obvious* over, and *not* anticipated by, Mottola and the Red Herring Article. To this end, it appears that the Examiner has admitted that Mottola fails to teach “selling



a security via bids received from a plurality of processing devices”, as recited in claim 8. (See Final Office Action at p.2). Moreover, Mottola in fact fails to teach or suggest such a step because bidding is not part of the Mottola system.

Because claims 10, 11 and 16 include the limitation of “selling a security via bids received from a plurality of processing devices” by virtue of their dependency on claim 8, and because Mottola admittedly fails to teach such a step, a *prima facie* case of *anticipation* of claims 10, 11 and 16 has not been established. For this reason, as well as reasons similar to those discussed below in connection with claim 1, it is submitted that the anticipation rejections of claims 10 and 11 should be reversed.

**B. The Obviousness Rejections of Claims 12, 13 and 15 Should Be Reversed**

Claims 12, 13 and 15 stand rejected as allegedly being obvious over Mottola in view of the Red Herring Article. Claims 12, 13 and 15 all depend from and incorporate all the limitations of claim 8. Accordingly, claims 12, 13 and 15 all include a limitation directed to “selling a security via bids received from a plurality of processing devices”. As discussed above, Mottola fails to disclose selling a security via *any* bids, much less bids received from a plurality of processing devices.

It appears that the Examiner has argued that it would have been obvious to modify Mottola to include selling securities via bids in the Final Office Action at page 2, in connection with the rejection of claims 1-9. As will be discussed below in detail, the Examiner has not set forth legally sufficient motivation or suggestion to modify Mottola in the multiple, fundamental ways that would be necessary to arrive at the invention of claim 8. Accordingly, the rejection of

claims 12, 13 and 15 should be reversed for at least the reasons set forth further below in connection with claims 1-9.

In addition, claim 15 is allowable for reasons independent of those set forth below in connection with claims 1-9. In particular, even if Mottola were modified as proposed by the Examiner, the resulting combination would not arrive at the invention of claim 15. In particular, claim 15 recites a limitation that states that contingent income upon which the security is based includes contingent income that is *team performance based*. The Examiner has alleged that the Red Herring Article teaches this limitation. (See First Office Action at pp.7-8).

The Red Herring Article does not teach or suggest a repayment obligation or *anything* that relates to contingent prospective income that is “team performance based”. The Red Herring Article mentions an asset based on *future* income, but does not identify whether the future income relates to any particular part of the athlete’s total compensation. Accordingly, it is neither inherently disclosed in the Red Herring Article, nor is it intuitively obvious that part of a security could be based on *contingent prospective income that is team performance based*, as claimed.

Neither Mottola nor the Red Herring Article, alone or in combination, teach or suggest a security repayment obligation that is team performance based. For at least this reason, which is independent of those set forth below in connection with claims 1-9, the rejection of claim 15 is improper and should be reversed.

C. The Anticipation Rejection of Claim 17 Should be Reversed

Claim 17 stands rejected as allegedly being anticipated by Mottola. (See First Office Action at p. Claim 17 recites a “tradable security instrument”. Mottola fails to disclose a

tradable security as claimed. More particularly, Mottola does not teach or suggest, among other things, “an input device configured to receive a total number of *tradable security instruments*”, much less a total number of tradable security instruments having a value based on realized prospective income of a performer, as claimed in claim 17.

Mottola teaches a method for administering a plan for funding investments in education. The method includes setting up a unit investment trust for financing the education of a number of students. Mottola does not appear to disclose or suggest the possibility of a secondary market whereby investors trade “shares” or anything else in the investment trust. In other words, Mottola does not disclose or suggest trading of investments. Accordingly, Mottola does not disclose a “tradable security instrument”, as recited in claim 17.

The Examiner appears to only cite one passage in Mottola as possibly teaching a “*tradable security*” and that is at col. 3, lines 40-57. (See First Office Action at pp.4, 5). Column 3, lines 40-57 of Mottola do not mention or suggest that shareholders or investors may *trade* their investments. As a consequence, it is submitted that Mottola fails to teach or suggest a tradable security instrument as claimed in claim 17.

Accordingly, for at least these reasons, it is respectfully submitted that the rejection of claim 17 over Mottola is in error and should be withdrawn.

D. Claims 18 and 19

Claims 18 and 19 also stand rejected as allegedly being anticipated by Mottola. Claims 18 and 19 depend from and incorporate all of the limitations of claim 17. Accordingly, for at least the same reasons as those set forth above in connection with claim 17, it is respectfully submitted that the rejection of claims 18 and 19 over Mottola should be withdrawn.

## II. The Obviousness Rejection of Claims 1-9

Claims 1-9 appears to stand rejected as allegedly being obvious over U.S. Patent 09/933,263 in view of the Red Herring Article. (See Final Office Action at p.2). U.S. Patent 09/933,263 is not an issued patent, but instead appears to relate to U.S. Patent Application serial no. 09/933,263, which is a pending application featuring the same inventors as the instant application.

The Examiner may therefore be alleging obviousness-type double patenting, but it is not clearly stated. In any event, the Examiner has not set forth a prima facie case of obviousness-type double patenting as the Examiner has not alleged which claims of the pending application serial no. 09/933,263 conflict with the pending claims 1-9 of the instant application.

Finally, because pending U.S. Patent Application serial no. 09/933,263, has not issued, the obviousness-type rejection cannot be final, but must rather be provisional.

For all the foregoing reasons, it is respectfully submitted that the rejection of claims 1-9 over U.S. Patent 09/933,263 in view of the Red Herring Article is improper and should be reversed.

### A. Claims 1-9 Also Not Obvious Over Mottola and the Red Herring Article

It is possible that the Examiner may have been alleging that claims 1-9 were obvious over Mottola in view of the Red Herring Article. In particular, the text of the detailed portion of the rejection of claims 1-9 in the Final Office Action is set forth below:

Claims 1-9 are rejected under 35 U.S.C. 103(a) as being unpatentable over US Patent 09/933,263 in view of Red Herring Article.  
The applicant argues that Mottola does not teach or suggest a step of receiving at least one bid for

the purchase of a security instrument, nor does Mottola employ a tradable security. The applicant presumably argues that the secondary reference fails to provide this teaching. The applicants arguments are not persuasive. The red herring article teaches of filing the securities with the SEC. Securities filed with the routinely traded in initial and secondary markets. The extent to which the securities are traded is a function of liquidity and demand. For at least these reasons, the action is deemed final.

(Final Office Action at p.2). Thus, the Examiner may be contending that claims 1-9 are obvious over Mottola in view of the Red Herring Article.

If so, the Examiner has not set forth a legally sufficient motivation or suggestion to combine Mottola and the Red Herring Article as proposed. In particular, it is useful to understand exactly what the Examiner appears to be alleging.

The Examiner alleges in the First Office Action that "it would have been obvious. . . to have modified the Mottola patent with the teachings of the Red Herring Article so as to expand the use of the system to other areas of endeavor, such as professional sports". First, this is not a motivation or suggestion to combine. Modifying a system in order to expand its use into fields of endeavor never contemplated by the inventor is not a legally sufficient motivation to combine. To this end, it will be appreciated that the Mottola article never mentions possible uses in fields of endeavor related to professional sports *or anything similar to professional sports*. Mottola deals with investing in education, not athletic celebrities.

Second, the Examiner is also alleging that if Mottola is to be modified to allow investing in future incomes of professional athletes, then you have to further modify the Mottola system to create tradable securities and a secondary trading market. In other words, the Examiner has basically acknowledged that the Mottola system is inappropriate (or at least undesirable) for investing in athlete's incomes *unless you first modify Mottola to also include a secondary trading market*. Thus, in order to modify the system of Mottola to allow for investment in the future income of athletes, which it was never intended to do, you have to modify Mottola to generate and allow for secondary market trading of tradable securities, which it also was never

intended to do.

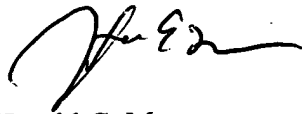
These are two major *independent* modifications that fundamentally eradicate the system of Mottola as taught. Such major modifications cannot appropriate arise merely from a desire to “expand the system [of Mottola] to other areas of endeavor, such as professional sports”.

For at least this reason, the rejection of claims 1-9 over Mottola in view of the Red Herring Article are improper and should be reversed.

**(8) CONCLUSION**

For all of the foregoing reasons, claims 1-13 and 15-19 are not unpatentable. As a consequence, the Board of Appeals is respectfully requested to reverse the rejection of these claims.

Respectfully submitted,

A handwritten signature in black ink, appearing to read 'H. C. Moore', with a stylized flourish at the end.

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## CLAIM APPENDIX

1. A method of creating a tradable security based on the prospective income of a performer, the method comprising:
  - a) employing a first processing circuit to define an asset value based on the prospective income of the performer, the tradable security having a value based on the asset value;
  - b) obtaining an agreement from the performer to create a repayment obligation based on a portion of an income stream that corresponds to the asset value;
  - c) creating a first account;
  - d) receiving payments towards the repayment obligation into the first account; and
  - e) receiving from at least one remote processing circuit at least one bids for purchase of the tradable security.
2. The method of claim 1, wherein step a) further comprises defining the asset value based on a professional sports contract to which the performer is a party.
3. The method of claim 1, wherein step a) further comprises defining the asset value based on the value based at least in part on a contingent portion of the prospective income.
4. The method of claim 3 wherein at least some of the contingent portion of the prospective income is based on the performer's performance in a professional sport.



5. The method of claim 3 wherein:  
the performer is a participant in professional team sports; and  
at least some of the contingent portion of the prospective income is team performance based.
6. The method of claim 1 wherein step a) further comprises determining a likelihood of the performer attaining one or more performance incentives available to the performer.
7. The method of claim 1 wherein step d) further comprises receiving payments towards the repayment obligation into the first account, the payments corresponding to funds received by the performer corresponding to the portion of the income stream that corresponds to the asset value.
8. A method comprising:
  - a) obtaining an agreement from a performer to create a repayment obligation based on a portion of a prospective income stream of the performer, the portion of the prospective income stream including service-based income;
  - b) selling a security via bids received from a plurality of processing circuits, the security having a value based on a value of the repayment obligation;
  - c) creating a first account; and
  - d) receiving payments towards the repayment obligation into the first account.
9. The method of claim 8, wherein step b) further comprises selling a tradable security having the value based on the value of the first account.

10. The method of claim 8, further comprising:
  - e) redeeming the security using funds from the first account.
11. The method of claim 8, wherein the portion of the repayment obligation is based at least in part on contingent prospective income of the performer.
12. The method of claim 11, wherein the contingent prospective income is defined in a professional sports contract.
13. The method of claim 11 wherein at least some of the contingent prospective income is based on the performer's performance in a professional sport.
15. The method of claim 11 wherein:
  - the performer is a participant in professional team sports; and
  - at least some of the contingent prospective income is team performance based.
16. The method of claim 11 wherein step a) further comprises determining a likelihood of the performer attaining one or more performance incentives available to the performer.

17. An apparatus comprising:

an input device configured to receive a total number of tradable security instruments having a value based on realized prospective income of a performer;

a processing device, coupled to the input device, the processing device operable to obtain a final obligation value, the final obligation value based on the realized prospective income of the performer, the realized prospective income being service based, determine a redemption value of the tradable a-security instrument based on the final obligation value, the total number of tradable security instruments, and the realized prospective income;

provide information representative of the redemption value to an output.

18. The apparatus of claim 17, wherein the realized prospective income includes realized contingent income.

19. The apparatus of claim 18, wherein the realized prospective income includes realized base income.

23. A system comprising:

a first processing circuit configured to receive and store a plurality of bids for the purchase of one or more security instruments, each security instrument having a value based on the prospective income of a performer, the value based at least in part on a contingent portion of the prospective income, the prospective income being service based, the first processing circuit operable to select from the plurality of bids based on a price of each bid;

a plurality of remote processing circuits operable to communicate the plurality of bids to the first processing circuit;

a processing device operable to

obtain a final obligation value, the final obligation value based on the realized prospective income of the performer, the realized prospective income being service based,

determine a redemption value of the security instrument based on the final obligation value and the realized prospective income;

provide information representative of the redemption value to an output.

24. The apparatus of claim 23, wherein the realized prospective income includes realized contingent income.

25. The apparatus of claim 24, wherein the realized prospective income includes realized base income, the base income different from the contingent income.

## EVIDENCE APPENDIX

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**RELATED PROCEEDINGS APPENDIX**

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